(1)
Supreme Court, U.S.
FILED
011015 JAN - 2 2002
OFFICE OF THE CLERK

No. _____

In The

Supreme Court of the United States

VICTOR MOSELEY and CATHY MOSELEY,
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V SECRET CATALOGUE, INC.,
VICTORIA'S SECRET STORES, INC., and
VICTORIA'S SECRET CATALOGUE, INC.,

Respondents.

**On Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Sixth Circuit**

PETITION FOR WRIT OF CERTIORARI

JAMES R. HIGGINS, JR.
Counsel of Record
SCOT A. DUVALL
MIDDLETON REUTLINGER
2500 Brown & Williamson Tower
Louisville, KY 40202
(502) 584-1135

Attorneys for Petitioners

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
OR CALL COLLECT (402) 342-2831

75pp

QUESTION PRESENTED FOR REVIEW

Whether the plain meaning of the operative phrase "causes dilution of the distinctive quality of the mark," read in pari materia with the definition of dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods and services," requires objective proof of actual injury to the economic value of the famous mark (as opposed to a presumption of harm arising from a subjective "likelihood of dilution" standard) as a precondition to any and all relief under the Federal Trademark Dilution Act.

PARTIES TO THE PROCEEDING

Petitioners

Petitioners are Victor Moseley and Cathy Moseley, d/b/a Victor's Little Secret (of which they are co-owners and sole proprietors) having their principal office and place of business in the Western District of Kentucky. Petitioners were the Defendants in the District Court, and the Defendants-Appellants in the Sixth Circuit Court of Appeals.

Respondents

Respondents are a group of wholly-owned subsidiaries of Intimate Brands, Inc., a Delaware corporation. Respondent V Secret Catalogue, Inc. is a Delaware corporation having its principal office and place of business in Wilmington, Delaware. Respondent Victoria's Secret Catalogue, Inc. is a Delaware corporation having its principal office and place of business in Columbus, Ohio. Respondent Victoria's Secret Stores, Inc. is a Delaware corporation having its principal office and place of business in Columbus, Ohio. Respondents are "related compan[ies]" as that term is defined in Lanham Act § 45, 15 U.S.C. § 1127. Respondents were the Plaintiffs in the District Court, and the Plaintiffs-Appellees in the Sixth Circuit Court of Appeals.

TABLE OF CONTENTS

Page

Question Presented for Review i

Parties to the Proceeding ii

Table of Contents..... iii

Table of Authorities v

Opinions And Orders Below..... 1

Jurisdiction..... 1

Statutory Provisions Involved..... 1

Statement of the Case 2

Reasons for Granting the Petition..... 6

I. THE DECISION BELOW EXACERBATES A WELL-DEFINED AND PRACTICALLY IMPORTANT CONFLICT AMONG THE COURTS OF APPEALS..... 6

II. ALTHOUGH THIS COURT HAS SHOWN SIGNIFICANT INTEREST IN FEDERAL TRADEMARK/TRADE DRESS LAW OVER THE PAST DECADE, THIS COURT HAS NEVER INTERPRETED ANY ASPECT OF THE FTDA, WHICH HAS A SCANT LEGISLATIVE HISTORY 11

III. THE SIXTH CIRCUIT'S INTERPRETATION OF THE FTDA'S OPERATIVE PHRASE "CAUSES DILUTION OF THE DISTINCTIVE QUALITY OF THE MARK" TO REQUIRE PROOF ONLY OF A "LIKELIHOOD" OF DILUTION (RATHER THAN PROOF OF ACTUAL HARM RESULTING FROM DILUTION) VIOLATES THIS COURT'S "PLAIN MEANING" RULE OF STATUTORY INTERPRETATION AND INVITES THE MISCHIEF OF SUBJECTIVE JURISPRUDENCE..... 14

TABLE OF CONTENTS – Continued

Page

A. The Fourth Circuit, In A Carefully Considered Opinion, Properly Applied The Plain Meaning Of The FTDA's "causes dilution" Phrase After Considering Key Differences Among The Initial Concept Of "Dilution," The Text Of Existing State Dilution Statutes, And The FTDA's Actual Language 14

B. The Second Circuit's Interpretation Of The FTDA's Operative Phrase "causes dilution" As The Equivalent Of "Likelihood Of Dilution," Is Not Grounded In The Statutory Text Or Legislative History Of The FTDA, But Rather In That Court's Concerns Regarding The Proof Required By The Fourth Circuit's *Ringling Bros.* Decision 19

C. The Sixth Circuit Ignored This Court's "Plain Meaning" Rule Under Which The FTDA's Operative Phrase "causes dilution" Renders Inappropriate Any Presumption Of Harm Resulting From The Mere Use Of A Designation Similar To A Famous Trademark 22

Conclusion 24

Appendix

Court of Appeals Memorandum Opinion (July 30, 2001) 1a

District Court Memorandum Opinion and Order (February 9, 2000) 28a

Court of Appeals Order Denying Petition for Rehearing En Banc (October 4, 2001) 41a

TABLE OF AUTHORITIES

Page

Cases:

Bates v. United States, 522 U.S. 23 (1997) 22

Duncan v. Walker, 533 U.S. 167, 121 S. Ct. 2120 (2001) 22

Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456 (7th Cir. 2000) 10, 11, 19, 20

Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208 (2d Cir. 1999) 5, 9, 19, 20, 21

Park 'N Fly, Inc. v. Dollar Park & Fly, Inc., 469 U.S. 189 (1985) 24

Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159 (1995) 12

Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999) ..... *passim*

Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C., 212 F.3d 157 (3d Cir. 2000) 11

TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23 (2001) 11

Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763 (1992) 12

United States v. LaBonte, 520 U.S. 751 (1997) 24

V Secret Catalogue, Inc. v. Moseley, 259 F.3d 464 (6th Cir. 2001) 10, 23

TABLE OF AUTHORITIES – Continued

Page

Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205 (2000) 11

Westchester Media v. PRL USA Holdings, Inc., 214 F.3d 658 (5th Cir. 2000) 8

STATUTES:

15 U.S.C. § 1114(1) 22

15 U.S.C. § 1125(a)(1)(A) 22

15 U.S.C. § 1125(c)(1) ..... *passim*

15 U.S.C. § 1125(c)(2) 21

15 U.S.C. § 1127 2

28 U.S.C. § 1254(1) 1

Model State Trademark Bill (1964) (*reprinted in* 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 22:8 (4th ed. 1998)) 16, 17

TREATISES AND LAW REVIEW ARTICLES:

3 JEROME GILSON, TRADEMARK PROTECTION AND PRACTICE, § 8.11[1] 20

Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927) 15

PETITION FOR WRIT OF CERTIORARI

Petitioners respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Sixth Circuit in this case.

OPINIONS AND ORDERS BELOW

The opinion of the Court Of Appeals (Appendix ("App."), *infra*, 1a-27a) is reported at 259 F.3d 464. The opinion and order of the District Court (App., *infra*, 28a-42a) is reported only at 54 U.S.P.Q.2d 1092. The order of the Court of Appeals denying a timely petition for rehearing en banc (App., *infra*, 42a), is unreported at present.

JURISDICTION

The judgment of the Court of Appeals was entered on July 30, 2001. App., *infra*, 1a. The Court of Appeals denied a timely petition for rehearing en banc on October 4, 2001. App., *infra*, 43a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Lanham Act Section 43(c)(1), 15 U.S.C. § 1125(c)(1), provides, in relevant part:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an

> injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. . . .

Lanham Act Section 45, 15 U.S.C. § 1127, provides, in relevant part:

> *Dilution*. The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of – (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception.

STATEMENT OF THE CASE

Respondent V Secret Catalogue, Inc. is the record owner of the famous federally-registered trademark VICTORIA'S SECRET. V Secret Catalogue, Inc. licenses Respondents Victoria's Secret Catalogue, Inc. and Victoria's Secret Stores, Inc. to use the mark, which is used in the operation of retail stores and a mail catalogue business featuring alluring women's lingerie, and other clothing and accessories. Respondents also conduct fashion shows which are broadcast over the Internet, featuring scantily-clad models wearing Respondents' lingerie.[1]

[1] Indeed, after the record was closed in this case, Respondents were subjected to criticism for the titillating nature of their fashion shows, especially regarding the revealing "see-through" garments worn by their models. *See* "Lingerie Special Sparks Protest," United Press International, November 20, 2001 (available on LEXIS).

As just noted, Respondents are well-known for the attractive models who appear in the mail-order catalogues wearing the intimate apparel offered for sale. Moreover, their method of mail delivery is reminiscent of the "plain brown wrapper" traditionally reserved for less "respectable" items. Apparently concerned that the use of the VICTORIA'S SECRET mark indicates the type of item that some persons find offensive or embarrassing, Respondents ship telephone-ordered goods in boxes that display only the letters VSC rather than the VICTORIA'S SECRET mark.

In February 1998, Petitioners Victor and Cathy Moseley (the "Moseleys") opened a store called "Victor's Secret" in a shopping center in Elizabethtown, Kentucky. The Moseleys' signage and advertising incorporated a logo of an index finger pressed across a pair of lips (as if to say "shhhh"). In their business (consistent with their slogan "Everything for Romantic Encounters"), the Moseleys sell a wide variety of items, including lingerie, clothing and accessories, and adult novelties and videos. Nothing in the record indicates that the Moseleys have ever been accused by law enforcement officials of selling "illegal" or "obscene" items in their shop.

On February 25, 1998, counsel for Respondents sent the Moseleys a cease and desist letter alleging that the Moseleys' use of the "Victor's Secret" name (1) was "likely to cause confusion" with the VICTORIA'S SECRET

mark by suggesting a connection or association between the parties, and (2) was "likely to dilute the distinctiveness" of the VICTORIA'S SECRET mark. On March 3, 1998, the Moseleys changed the name of their shop to "Victor's Little Secret" also used in conjunction with the "shhhh" logo. Nevertheless, on June 22, 1998, Respondents filed suit against the Moseleys in the United States District Court for the Western District of Kentucky. Their complaint included claims for trademark infringement, unfair competition, and, of particular relevance here, trademark dilution under the Federal Trademark Dilution Act ("FTDA"), codified as Lanham Act Section 43(c) (15 U.S.C. § 1125(c)).

After discovery, both Petitioners and Respondents moved for summary judgment. The District Court held that, based on the facts of record, no likelihood of confusion existed as a matter of law, and on that basis dismissed all of Respondents' claims except the FTDA claim. (App., *infra*, 36a-37a). In concluding that likelihood of confusion did not exist, the District Court held that when viewed in context, little similarity exists between "Victor's Little Secret" and VICTORIA'S SECRET. (App., *infra*, 34a). However, the District Court went on to hold that "Victor's Little Secret" was "sufficiently similar" to VICTORIA'S SECRET to cause dilution both by "blurring" and by "tarnishment." (App., *infra*, 39a).

The District Court provided scant analysis of the "blurring" issue, but appeared to find dilution by "blurring" solely because of degree of similarity of the parties' marks. (App., *infra*, 38a-39a). Further, the District Court determined that Petitioners' mark had a "tarnishing

effect" upon the VICTORIA'S SECRET mark because Petitioners' inventory, albeit mostly lingerie (the same goods sold under Respondents' mark), also included some adult videos, "sex toys" and "adult novelties." (App., *infra*, 39a). Without citation to and without discussion of any record evidence, the District Court concluded that Petitioners' inventory, though "not . . . unsavory to all," had a "more risque" quality that "widely differentiate[d]" it from that of Respondents. (App., *infra*, 39a). Based on that "differentiat[ion]," the District Court enjoined Petitioners from using the designation Victor's Little Secret "or any similar mark" because in its view the designation "causes dilution of the distinctive quality" of the VICTORIA'S SECRET mark. (App., *infra*, 41a).

Petitioners appealed the District Court's decision to the Court of Appeals for the Sixth Circuit; Respondents did not cross-appeal. There, a three-judge panel confronted the issue whether, as a prerequisite to any relief under the FTDA, the plaintiff must prove that the accused mark has caused actual economic harm to the senior mark's economic value as a product-identifying and advertising agent. (App., *infra*, 3a, 15a). The Sixth Circuit panel, specifically acknowledging that a "split" exists among the Circuit Courts that have addressed the issue, expressly rejected the rationale explicated by the Fourth Circuit in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999), which requires proof of actual economic harm to the owner of the senior mark. (App., *infra*, 23a-25a). Instead, the panel followed the Second Circuit's rationale in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), which merely requires

proof of "likelihood of dilution" and indulges in a presumption that there will be future harm to the senior mark. (App., *infra*, 25a). Thus the Sixth Circuit panel affirmed the injunction based on the District Court's bare findings of dilution by blurring and tarnishment. (App., *infra*, 26a-27a).

Petitioners filed a timely petition for rehearing en banc. Under the Sixth Circuit Rules, the petition was circulated to the full court. However, the court declined even to take a vote on whether to rehear the case en banc. The three-judge panel then declined to reconsider its opinion, and issued an order denying rehearing on October 4, 2001. (App., *infra*, 43a).

REASONS FOR GRANTING THE PETITION

I. The Decision Below Exacerbates A Well-Defined And Practically Important Conflict Among The Courts of Appeals.

On January 16, 1996, the President signed the Federal Trademark Dilution Act ("FTDA") into law. Prior to the FTDA, the Lanham Act addressed trademark registration and infringement, as well as false advertising and unfair competition, all based on the concept of misrepresentation and historically derived from the tort of deceit. The FTDA added a new type of protection for "famous" trademarks, akin to protection from trespass to property, by establishing a cause of action entitling the owner of such a mark to obtain relief against another person's commercial use of a mark or trade name that "causes dilution" of the distinctive quality of the famous mark.

This case involves a 3-2 split on a critical issue, the determination of which is potentially dispositive in this and many other cases arising under the FTDA: whether proof of actual injury to the economic value of a famous mark attributable to dilution (as opposed to a presumption of harm arising from a mere "likelihood of dilution") is a precondition to any and all relief under the FTDA. Two Courts of Appeals hold that such proof is required; three (including the Sixth Circuit's panel decision) hold that such proof is not required. This issue arises in every case under the FTDA because it requires interpretation of the essential statutory phrase "causes dilution" in order to decide whether relief is warranted. Resolution of this issue will result in either an objective – and thus more predictable – outcome for dilution cases under an "actual harm" standard; or a more subjective outcome based on mere "likelihood of dilution" – the practical effect of which is to grant a trademark owner a monopoly of use for certain "famous" words of the English language. Hence, the issue is currently the subject of a palpable and particularly important split among the Circuit Courts, a split which is ripe for resolution.

Two Courts of Appeals hold that objective proof of actual injury to the economic value of a famous mark (resulting from actual, consummated dilution) is a precondition to any and all relief under the FTDA:

(1) The Fourth Circuit. In *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999), the court held as follows:

" '[D]ilution' under the federal Act consists of (1) a sufficient similarity of marks to evoke in consumers a mental association of the two that (2) *causes* (3) *actual harm* to the senior marks' [sic] economic value as a product-identifying and advertising agent." *Id.* at 453 (emphasis added).

"[T]he federal Act proscribes and provides [a] remedy only for *actual, consummated dilution* and not for the mere 'likelihood of dilution' proscribed by the state statutes." *Id.* at 458 (emphasis added).

"[W]e therefore interpret the Act . . . as requiring for proof of 'dilution' (1) a sufficient similarity between the junior and senior marks to evoke an "instinctive mental association" of the two by a relevant universe of consumers which (2) is the *effective cause* of (3) *an actual lessening of the senior mark's selling power*, expressed as 'its capacity to identify and distinguish goods or services.' " *Id.* at 458 (emphasis added).

"[W]e agree with the district court that to establish dilution of a famous mark under the federal Act requires proof that (1) a defendant has made use of a junior mark sufficiently similar to the famous mark to evoke in a relevant universe of consumers a mental association of the two that (2) *has caused* (3) *actual economic harm* to the famous mark's economic value by lessening its former selling power as an advertising agent for its goods or services." *Id.* at 461 (emphasis added).

(2) The Fifth Circuit. In *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000), the court held as follows:

"As an issue of first impression in this Circuit, we endorse the Fourth Circuit's holding that the FTDA requires proof of actual harm *since this standard best accords with the plain meaning of the statute.*" *Id.* at 670 (footnote omitted) (emphasis added).

Three Courts of Appeals hold that future harm to a famous mark (presumably resulting from a mere "likelihood" of dilution) is sufficient for relief under the FTDA:

(1) The Second Circuit. In *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), the court expressly rejected the Fourth Circuit's seminal holding on the issue, preferring to hold as follows:

"Relying on a recent decision by the Fourth Circuit, [defendant] . . . asserts that proof of dilution under the FTDA requires proof of an 'actual, consummated harm.' [*citing Ringling Bros.*] We reject the argument *because we disagree with the Fourth Circuit's interpretation of the statute.*" *Id.* at 223 (emphasis added).

"*Notwithstanding the use of the present tense in 'causes dilution,'* it seems plausibly within Congress's meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs." *Id.* at 224 (emphasis added).

"[W]e read the statute to permit adjudication granting or denying an injunction, whether at the instance of the senior user or the junior seeking declaratory relief, *before the dilution has actually occurred.*" *Id.* at 224-25 (footnote omitted) (emphasis added).

(2) **The Seventh Circuit.** In *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000), the court held as follows:

> "As a threshold issue, the parties dispute whether the 'causes dilution' element can be satisfied by evidence of a mere likelihood of dilution, or whether proof of actual dilution is required. *The legislative history of the Act does not specifically address this question, and the circuit courts to have considered it are divided. Compare* [*Westchester Media, supra*] (requiring proof of actual harm) *and* [*Ringling Bros., supra*] (same) *with* [*Nabisco, supra*] (likelihood of dilution sufficient)." *Id.* at 466-67 (emphasis added).
>
> "We . . . side with the Second Circuit and hold that *proof of a mere 'likelihood of dilution'* is sufficient to satisfy the 'causes dilution' element of [plaintiff's] case." *Id.* at 468 (emphasis added).

(3) **The Sixth Circuit.** In *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001), the court held as follows:

> "[W]e conclude that the Second Circuit has developed standards that hew most closely to the Act and [apply] that court's analysis to the undisputed facts in this case." *Id.* at 466.
>
> "*Despite the Fourth Circuit's somewhat persuasive arguments*, we conclude that the [Second Circuit's] *Nabisco* test both tracks the language of the statute and follows more closely Congress's intent in enacting the FTDA." *Id.* at 475.
>
> "Having determined to follow the *Nabisco* decision, and thus *to allow inference of likely harm to the senior mark instead of requiring actual proof*, we must now look to the other elements of the *Nabisco* test's definition of dilution." *Id.* at 476 (emphasis added).

The Courts of Appeals are thus divided three[2] to two on the issue whether proof of "actual harm" to the selling power of the mark is required for this and future FTDA cases. Resolution of this issue would significantly define the scope of permissible claims under the FTDA. The intervention of this Court is essential so that, going forward, the lower courts can discern and businesses can understand the circumstances under which relief may be granted under the FTDA.

II. Although This Court Has Shown Significant Interest in Federal Trademark/Trade Dress Law Over The Past Decade, This Court Has Never Interpreted Any Aspect Of The FTDA, Which Has A Scant Legislative History.

Over the past decade, this Court has expressed a great deal of interest in resolving questions of interpretation arising under the Lanham Act in its modern form, including the major modifications wrought by the Trademark Law Revision Act of 1988. *See TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001) (assessing trade dress protection for design on which patents had expired); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205

---

[2] The Seventh Circuit's *Eli Lilly* opinion mentioned in passing a dissenting opinion in a Third Circuit case, which dissenting opinion suggested that the Third Circuit had implicitly joined the *Nabisco* side of the circuit split. *See Eli Lilly*, 233 F.3d at 467 (*citing Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 179 n.11 (3d Cir. 2000)).

(2000) (no inherent distinctiveness for unregistered trade dress embodying product designs); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995) (registration of color-only trademarks permissible); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992) (inherently distinctive trade dress protectable against infringement without proof of secondary meaning). Now, the issue of federal trademark dilution, under the most significant post-1988 amendment to the Lanham Act, is worthy of this Court's attention.

The FTDA was not the first attempt of Congress to enact a federal trademark dilution statute. In 1988, over forty years after the first state dilution statute had been enacted (in Massachusetts in 1947), Congress considered, but after much debate, declined to pass a provision similar to the FTDA. By contrast, in 1996 the FTDA legislation was enacted quickly in the House of Representatives and the Senate, without apparent controversy. Only the House of Representatives issued a report on its version of the bill. The Senate held no hearings on the legislation, took up the House bill on a suspension of the rules, and passed the House bill on a voice vote without debate. Unfortunately, the haste with which Congress acted has led to significant controversy over interpretation of the statute.

Accordingly, the FTDA's scant legislative history has provided little insight into Congress' intent in passing the FTDA. Indeed, some courts have been reduced to relying upon floor statements made in the House and Senate prior to enactment of the statute; such statements hardly reflect a comprehensive effort to explain the statutory language Congress employed. Very little, if any, of the

legislative history provides any insight into the critical elements of the federal "dilution" cause of action. As discussed in Part III herein, "Dilution" is the only critical term of art which Congress even sought to define in the FTDA, yet its definition is inextricably intertwined with other statutory language which Congress left undefined.

In the almost six full years since the effective date of the FTDA, this Court has not had the occasion to interpret any aspect of the statute. As a result, the lower courts have been left to discern for themselves numerous issues arising under the FTDA. Because the courts cannot confidently determine the meaning of a statute when its authors have left behind a dearth of guidance, they of necessity have resorted to various methods of statutory interpretation. The approach employed inevitably will be influenced by the courts' comfort (or discomfort) with the legal result in a given case. As a result, federal dilution cases have been – and will continue to be – won and lost, solely depending upon how each court chooses to divine the intent of Congress.

The danger in this rationale adopted by the Sixth Circuit is that there is no *predictability* to the application of the law – *unless* this Court adopts the objective standard established by the Fourth Circuit, and now advocated by Petitioners.

III. The Sixth Circuit's Interpretation Of The FTDA's Operative Phrase "causes dilution of the distinctive quality of the mark" To Require Proof Only Of A "Likelihood" Of Dilution (Rather Than Proof Of Actual Harm Resulting From Dilution) Violates This Court's "Plain Meaning" Rule Of Statutory Interpretation And Invites The Mischief Of Subjective Jurisprudence.

To properly evaluate whether actual harm to the "selling power" of a famous mark is an essential element of relief under the FTDA, it is necessary to consider the relationship between (1) the legal concept of dilution as defined in the FTDA, (2) the harm sought to be avoided by the FTDA, and (3) the proof of that harm necessary for relief under the FTDA. This determination is of critical importance in maintaining an appropriate balance between free competition and proper protection of trademarks. In the *Ringling Bros.* case, the Fourth Circuit engaged in an extensive consideration of these matters.

A. The Fourth Circuit, In A Carefully Considered Opinion, Properly Applied The Plain Meaning Of The FTDA's "causes dilution" Phrase After Considering Key Differences Among The Initial Concept Of "Dilution," The Text Of Existing State Dilution Statutes, And The FTDA's Actual Language.

In *Ringling Bros.*, the Fourth Circuit held that "dilution" under the FTDA consists of a sufficient similarity of marks to evoke in consumers a mental association of those marks *that causes actual harm* to the senior mark's economic value as a product-identifying and advertising

agent. 170 F.3d at 453. Though the Fourth Circuit acknowledged that this meaning did not "leap fully and immediately from the statutory text," *id.*, the court viewed it as the necessary meaning of the FTDA's critical provisions after engaging in a careful and comprehensive analysis of the history of dilution law, and of the differences between the language employed in state dilution statutes and the FTDA. In so doing, the Fourth Circuit properly applied the plain meaning of the FTDA's "causes dilution" phrase in determining the proof required for relief under that statute.

Characterizing the legislative record as "quite meager," *id.*, the Fourth Circuit considered the broader background from which the basic concept emerged and evolved in state and federal trademark law. The concept of trademark "dilution" (as distinct from traditional infringement) is attributed to Prof. Frank I. Schechter, who authored a law review article entitled *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927) (hereinafter "Schechter"). Prof. Schechter argued that "the preservation of the uniqueness of a trademark . . . constitutes the only rational basis for its protection," and that "dilution" of a trademark's uniqueness (from which it derived its advertising value and selling power) should be prohibited. *Ringling Bros.*, 170 F.3d at 454 (*citing* Schechter at 831). Prof. Schechter's proposal was grounded in the notion that the "real injury" caused by concurrent use of truly "unique" marks was not customer confusion, but rather, "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods." *Id.* (*citing* Schechter at 825). The Fourth Circuit

explained that Prof. Schechter's "radical" proposal, if fully adopted, would create property rights in gross in so-called "unique" marks, and moreover, that the proposal has *never* been legislatively adopted by any jurisdiction " . . . in anything approaching that extreme form." *Id.* at 454.

By the time the FTDA was enacted in 1996, roughly half of the fifty states[3] had enacted a statute prohibiting trademark dilution; of these, most (if not all) were based upon the Model State Trademark Bill (1964) (*reprinted in* 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION [hereinafter "MCCARTHY"] § 22:8 (4th ed. 1998)). As the Fourth Circuit explained, these state statutes typically had common features which are relevant to proper interpretation of the FTDA: (1) they defined the category of marks protected against dilution *solely* by reference to their "distinctive quality"; (2) they expressly proscribed not just actual, consummated dilution, but *also* "likelihood of dilution"; (3) by containing no express reference to harm to the senior mark's economic value, they defined "dilution" in terms susceptible to interpretation as consisting *solely* of a loss of the mark's distinctiveness; and (4) they provided *only* injunctive relief. *Id.* The Fourth Circuit reasoned that the state legislatures evidently were uncomfortable with enacting Prof. Schechter's radical proposal into law, as evidenced by the fact that *none* of the state dilution statutes

[3] Kentucky, where this action arose, does not have a dilution statute. Therefore, this case presents purely federal issues under the FTDA.

employed Prof. Schechter's specific formulation of dilution law. *Id.* at 456.

The Fourth Circuit concluded that although the "sparse" congressional record contains no reference whatsoever to these state statutes, Congress necessarily must have considered those statutes when, roughly 50 years after a state legislature had first enacted a "dilution" concept into state trademark law (and almost 70 years after the concept was first proposed by Prof. Schechter), it enacted the first federal dilution statute, the FTDA. In other words, Congress worked against the background of Prof. Schechter's initial concept of "dilution," the states' legislative adoption of modified forms of that concept, and the courts' reactions to that state legislation. The Fourth Circuit considered the "most critical aspect" of this background to be the experience of courts in interpreting and applying the state dilution statutes. *Id.* at 454.

In contrast to Prof. Schechter's approach, the Fourth Circuit explained that state statutes typically proscribed use of a mark that created a "likelihood of . . . dilution of the distinctive quality of a [senior] mark." *Id.* at 456 (*quoting* Model State Trademark Act[4] § 12 (1964), *reprinted in* 3 MCCARTHY § 22:8 (4th ed. 1998)). The Fourth Circuit then considered this history of state dilution statutes in order to interpret the FTDA. Because the FTDA proscribes conduct that "causes dilution" rather than the

[4] The Model State Trademark Bill, noted *supra*, has also been referenced by Prof. McCarthy as the "Model State Trademark Act," which explains the different title used by the Fourth Circuit.

mere "likelihood of dilution" proscribed by the state statutes, and because the FTDA specifically defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services" rather than the mere loss of "distinctiveness" itself, the Fourth Circuit concluded that the FTDA makes plain that the end harm at which it is aimed is loss of a mark's selling power itself (in other words, "the capacity" of a famous mark to identify and distinguish goods or services). *Id.* at 458. Accordingly, the Fourth Circuit interpreted the FTDA to require proof of "an actual lessening of the senior mark's selling power." *Id.*

The Fourth Circuit acknowledged that its interpretation of the FTDA was narrower in scope than that generally afforded to state-law dilution claims. *Id.* at 458-59. However, the Fourth Circuit concluded that this result was intended by Congress because of the differences in critical statutory provisions between the FTDA and the state statutes. *Id.* at 459. The Fourth Circuit reasoned that the contrary interpretation would permit both cause and harm to be judicially presumed as facts resulting solely from sufficient similarity of the two marks at issue, a result analogous to the substantively different "likelihood of dilution" standard under state dilution statutes. *Id.* Furthermore, to interpret the FTDA as protecting (as in Prof. Schechter's sweeping formulation) the senior mark's "distinctiveness" in the narrow sense of its singularity as a word symbol, would presume an unexpressed intention by Congress to create property rights in gross, unlimited in time, in "famous" trademarks. *Id.*

B. The Second Circuit's Interpretation Of The FTDA's Operative Phrase "causes dilution" As The Equivalent Of "Likelihood Of Dilution," Is Not Grounded In The Statutory Text Or Legislative History Of The FTDA, But Rather In That Court's Concerns Regarding The Proof Required By The Fourth Circuit's *Ringling Bros.* Decision.

In *Nabisco*, the Second Circuit considered but rejected the Fourth Circuit's holding that proof of dilution under the FTDA requires proof of an "actual, consummated harm." 191 F.3d 223 (*quoting Ringling Bros.*, 170 F.3d at 464). Notwithstanding the use of the present tense in the FTDA's operative phrase "causes dilution," the Second Circuit concluded that "it seems plausibly within Congress's meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs." *Id.* at 224. The Second Circuit reached this conclusion despite the absence of statutory text referring to "likelihood of dilution." Moreover, the Second Circuit, in divining Congress' intended "meaning," overlooked the fact (later acknowledged by the Seventh Circuit in *Eli Lilly*, 233 F.3d at 467, which expressly followed *Nabisco*) that the legislative history of the FTDA does *not* specifically address whether the "causes dilution" requirement can be satisfied by evidence of a mere likelihood of dilution.

The Second Circuit criticized the Fourth Circuit's requirement for proof of actual dilution (*see Ringling Bros.*, 170 F.3d 457, 464-65) in the form of evidence of actual loss of revenues or a skillfully constructed consumer survey. *Id.* at 224. Rejecting this standard as "an

arbitrary and unwarranted limitation on the methods of proof," *id.* at 223, the Second Circuit preferred that senior users be allowed to rely upon "persuasive circumstantial evidence of dilution of the distinctiveness of their marks without being obligated to show lost revenue or engage in an expensive battle of surveys." *Id.* at 224. The Second Circuit feared that proof of diminished revenues (or of causation of such diminished revenues attributable to dilution of the mark) might never be attained by a senior user with a successful mark. *Id.* at 223-24. The Second Circuit also criticized consumer surveys as "expensive, time-consuming and not immune to manipulation." *Id.* at 224. However, such criticism ignores the fact that consumer surveys are routinely used in trademark infringement cases brought under the Lanham Act. *See* 3 JEROME GILSON, TRADEMARK PROTECTION AND PRACTICE, § 8.11[1]. Moreover, if the FTDA's definition of dilution cannot be measured empirically, one might question why Congress included such statutory language in the first place. But that is precisely the point here. Congress *did* include such language in the statute, and under this Court's decisions, the lower courts are required to give meaning to that statutory language.

Although the Second Circuit's *Nabisco* decision (and the Seventh and Sixth Circuit decisions adopting that standard) honors Congress' decision to create a right of action for trademark dilution, it disavows and oversteps the boundaries Congress specified in the statute. Even if the Seventh Circuit is ultimately proved correct that "proof of the plaintiff's case [is] all but impossible" under the FTDA (*see Eli Lilly*, 233 F.3d at 468), it is the role of

Congress, not the courts, to rectify the statutory language.

The Second Circuit also criticized the implication of the Fourth Circuit's decision that the junior user must already be established in the marketplace before the senior user can seek an injunction. 191 F.3d at 224. The Second Circuit (without any reliance on legislative history) considered such a reading to depend on "excessive literalism" to "defeat the intent" of the FTDA, which it construed as "intending to provide for an injunction to prevent the harm before it occurs." *Id.* According to the Second Circuit, the Fourth Circuit's view would subject the senior user to "uncompensable injury" because the statute could not be invoked until injury had occurred, at which time the senior user could not be compensated in damages absent a finding of willfulness pursuant to 15 U.S.C. § 1125(c)(2). *Id.* But this view again overlooks the manner in which Congress drafted the statute.

Plainly, under the FTDA, *no* damages are available absent willful conduct. If the defendant's conduct "causes dilution," an injunction may issue. Otherwise, no cause of action exists. Given the newly-created federal rights embodied in the FTDA, which expanded the scope of trademark rights under the Lanham Act, it is not surprising that Congress employed language limiting the available relief. Under the Lanham Act and common law, actual trademark confusion is not required for relief from trademark infringement; instead, only a "*likelihood* of confusion" is required. Though the phrase "likely to cause confusion" appears elsewhere in the text of the Lanham

Act, *see, e.g.*, 15 U.S.C. § 1114(1) (infringement of registered trademark) *and* 15 U.S.C. § 1125(a)(1)(A) (false designation of origin), Congress did not choose for the FTDA any language parallel to the "likelihood of confusion" standard. Instead, Congress used the present tense phrase "causes dilution." Thus the Second Circuit's "likelihood of dilution" standard, and the harm that is presumed to flow upon such a finding, is a violation of this Court's "plain meaning" rule, which only invites future mischief in the form of subjective jurisprudence.

C. The Sixth Circuit Ignored This Court's "Plain Meaning" Rule Under Which The FTDA's Operative Phrase "causes dilution" Renders Inappropriate Any Presumption Of Harm Resulting From The Mere Use Of A Designation Similar To A Famous Trademark.

This Court has recently reaffirmed the well settled principle that "where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Duncan v. Walker*, 533 U.S. 167, ___ , 121 S. Ct. 2120, 2125 (2001) (*quoting Bates v. United States*, 522 U.S. 23, 29-30 (1997)). The Fourth Circuit heeded this principle and gave effect to the plain meaning of the operative phrase "causes dilution," as a predicate to determining that proof of actual harm to a mark's selling power is required for relief under the FTDA. The Fourth Circuit did not do so in a vacuum. Furthermore, the court carefully considered the history of the "dilution" concept and concluded, in essence, that

Congress was not cavalier in utilizing the operative phrase "causes dilution" in the FTDA. Thus there was no legitimate reason to resort to the methods used by the Second Circuit (later adopted by the Sixth Circuit) purportedly to rescue the statute from an effect unintended by Congress.

The Second Circuit, by asserting that the Fourth Circuit's analysis "depends on *excessive literalism* to defeat the intent of the statute," 191 F.3d at 224 (emphasis added), impliedly refused to apply the plain meaning rule to the FTDA, apparently due to its concerns regarding the ability of plaintiffs to meet the Fourth Circuit's proof requirement. Yet the Sixth Circuit, at the same time it found the Fourth Circuit's reasoning "somewhat persuasive," rejected the Fourth Circuit's reasoning, holding instead that the Second Circuit's test "both tracks the language of the statute and follows more closely Congress's intent in enacting the FTDA." 259 F.3d at 475. As discussed *supra*, the standard adopted by the Sixth Circuit is *not* contained in the statute itself. Indeed, neither the Second Circuit nor the Sixth Circuit applied this Court's "plain meaning" rule of statutory construction. Instead, they applied "contextual factors" to reach their results.

There is, however, no doubt that this Court prefers and requires adherence to the plain meaning rule when interpreting the Lanham Act. When called upon to interpret the Lanham Act (prior to its amendment by the FTDA), this Court clearly stated that "[s]tatutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning

of that language accurately expresses the legislative purpose." *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985). Indeed, the Court has stated: "We do not start from the premise that this language is imprecise. Instead, we assume that in drafting this legislation, Congress said what it meant." *United States v. LaBonte*, 520 U.S. 751, 757 (1997).

The Second Circuit (and the Sixth Circuit, below) strayed from this rule by employing "contextual factors" and by presuming that the language Congress employed must have been imprecise or unintended, evidently because of their apparent discomfort with the outcome of the Fourth Circuit's straightforward application of the FTDA's operative phrase "causes dilution." If this Court is to ensure consistent, objective, and fair application of the FTDA by the lower courts, intervention is necessary to avoid further incursions on the role of Congress in defining the standards by which trademark owners can seek relief under Congress' newly-established cause of action for federal dilution.

CONCLUSION

Both the District Court and Court of Appeals clearly were uncomfortable with Petitioners' business, legitimate though it is. The District Court subjectively (and without a developed record) considered Petitioners' goods "risque" though "not unsavory to all" consumers. The Court of Appeals likewise moralized against Petitioners, identifying their business, which primarily features lingerie items, with the sale of "sex toys and lewd coffee mugs."

Accordingly, Respondents' dilution claim was upheld without proof that Petitioners' use of their business name "causes dilution" of Respondents' mark. This result, which displaced this Court's emphatic preference for objective, "plain meaning" interpretations of statutory enactments in favor of the Second Circuit's subjective standard, is precisely the outcome-based jurisprudence which federal statutes are supposed to avoid.

Though the Sixth Circuit Court of Appeals' decision certainly is ill-founded, one cannot discount the challenge which that court and others have faced in light of the veritable bread-crumb trail which Congress left behind its enactment of the FTDA. The current split among the Circuits presents a conflict between an objective standard (the Fourth Circuit's standard) and a subjective standard (the Sixth/Second Circuit standard) for application of the FTDA. Only this Court can authoritatively face and resolve, once and for all, the quandary which Congress created in the FTDA. Accordingly, the petition for a writ of certiorari should be granted.

Respectfully submitted,

JAMES R. HIGGINS, JR.
Counsel of Record
SCOT A. DUVALL
MIDDLETON REUTLINGER
2500 Brown & Williamson Tower
Louisville, KY 40202
(502) 584-1135
Attorneys for Petitioners

RECOMMENDED FOR FULL-TEXT PUBLICATION
Pursuant to Sixth Circuit Rule 206

ELECTRONIC CITATION: 2001 FED App. 0247P (6th Cir.)
File Name: 01a247 p.06

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

V SECRET CATALOGUE, INC.,	)	
VICTORIA'S SECRET STORES,	)	
INC., and VICTORIA'S SECRET	)	No. 00-5320
CATALOGUE, INC.,	)	
Plaintiffs-Appellees,	)	
	)	
v.	)	–
	)	
VICTOR MOSELEY and CATHY	)	
MOSELEY, d/b/a VICTOR'S	)	
LITTLE SECRET,	)	
Defendants-Appellants.	)	

Appeal from the United States District Court for the Western District of Kentucky at Louisville.
No. 98-00395 – Charles R. Simpson III, Chief District Judge.

Argued: June 14, 2001

Decided and Filed: July 30, 2001

Before: JONES, DAUGHTREY, and COLE, Circuit Judges.

ARGUED: Don A. Pisacano, RAMBICURE, MILLER & PISACANO, Lexington, Kentucky, for Appellants.

Frank J. Colucci, COLUCCI & UMANS, New York, New York, for Appellees.

ON BRIEF: Don A. Pisacano, RAMBICURE, MILLER & PISACANO, Lexington, Kentucky, for Appellants.

Frank J. Colucci, COLUCCI & UMANS, New York, New York, for Appellees.

OPINION

MARTHA CRAIG DAUGHTREY, Circuit Judge. Defendants Victor and Cathy Moseley, d/b/a Victor's Little Secret, appeal the district court's grant of summary judgment to the plaintiffs, V Secret Catalogue, Inc., Victoria's Secret Stores, Inc., and Victoria's Secret Catalogue, Inc. (collectively "Victoria's Secret"), on the ground that the Moseleys' use of the name "Victor's Little Secret" for their lingerie and adult toy business constitutes trademark dilution under the Federal Trademark Dilution Act, 15 U.S.C. § 1125(c) (2000). The district court granted summary judgment to the Moseleys on federal trademark infringement claims brought by Victoria's Secret, finding that the company had not provided sufficient evidence to establish a likelihood of confusion between the two marks. However, the district court did find that the Victor's Little Secret mark both blurred and tarnished the Victoria's Secret mark under the Federal Trademark Dilution Act (FTDA or "the Act") and, therefore, enjoined the

Moseleys from making further use of the Victor's Little Secret mark.

On appeal, the defendants contend that entry of summary judgment resulted from the district court's faulty analysis of the "dilution" question, when reviewed in light of the leading case of *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), and from the court's failure to require proof of actual economic loss, as required by *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999). To the extent that these two recent cases are not entirely consistent in their analysis of the FTDA's requirements, we conclude that the Second Circuit has developed standards that hew most closely to the Act and, applying that court's analysis to the undisputed facts in this case, we conclude that the district court did not err in granting summary judgment to Victoria's Secret on the trademark dilution claim. We therefore affirm the district court's judgment.

PROCEDURAL AND FACTUAL BACKGROUND

The facts, as considered by the district court and uncontested by the parties, are as follows:

> Plaintiff V Secret Catalogue, Inc., is the record owner of the "Victoria's Secret" mark, which has been registered in the United States Patent and Trademark Office since January 20, 1981. V Secret Catalogue licenses Plaintiff Victoria's Secret Catalogue, LLC and Plaintiff Victoria's Secret Stores, Inc. to use the "Victoria's Secret" mark. Victoria's Secret sells a complete line of

women's lingerie, as well as other clothing and accessories.

Victoria's Secret Stores operates over 750 stores, and Victoria's Secret Catalogue distributes 400 million copies of the Victoria's Secret catalog each year, including 39,000 in Elizabethtown, Kentucky, where Defendants' store is located. Victoria's Secret's products are also sold over the Internet. Victoria's Secret has two stores in Louisville, Kentucky, within 60 miles of Defendants' store. One store has been open since November 16, 1982; the other since April 24, 1985. In 1998, Victoria's Secret spent over fifty-five million dollars on advertising its products. According to a recent survey, Victoria's Secret is rated as the ninth most famous brand in the apparel industry.

> In February, 1998, Defendants Victor and Cathy Moseley opened "Victor's Secret," a store in a strip mall in Elizabethtown selling a wide variety of items, including men's and women's lingerie, adult videos, sex toys and "adult novelties." The Moseleys assert that they were not aware of Victoria's Secret's catalog or stores until they received a cease and desist letter from counsel for Victoria's Secret on February 25, 1998. The Moseleys subsequently changed the name of their store to "Victor's Little Secret."

Not finding the addition of "Little" to the Victor's Secret mark sufficient to quell its concerns, Victoria's Secret brought suit against the Moseleys in district court, claiming federal trademark infringement, unfair competition under Section 43(a) of the Trademark Act, violation of the Federal Trademark Dilution Act, and common law

trademark infringement and unfair competition. Both parties filed motions for summary judgment.

Considering the list of eight factors established in *Frisch's Restaurants, Inc., v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642, 648 (6th Cir. 1982), the district court found that the Moseleys were entitled to summary judgment on Victoria's Secret's federal infringement claims, because Victoria's Secret had not presented evidence sufficient to create a genuine issue of material fact that a likelihood of confusion existed between the two marks. That ruling is not before us on appeal.

Instead, we are asked to reverse the district court's grant of summary judgment on Victoria's Secret's Federal Trademark Dilution Act claim. In making its ruling, the district court first noted that unlike the standards that must be met to state an infringement claim, "dilution can occur even where the products are not in competition and no likelihood of confusion is possible." To prove a dilution claim, the district court found that the Act's plain language requires a plaintiff to show that "1) its mark is famous, 2) the defendant is making a commercial use of its mark in commerce, 3) the defendant's use of its mark came after the plaintiff's mark became famous, and 4) the defendant's use of its mark dilutes the quality of plaintiff's mark." (Quoting *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998)). Finding it undisputed that the Victoria's Secret mark is famous, that the Moseleys are engaged in commerce, and that the registration of the Victoria's Secret mark in 1981 long predates the opening of Victor's Little Secret in 1998, the district court found the only element in dispute to be whether the Moseleys' mark diluted Victoria's Secret's.

The district court first found the marks to be sufficiently similar to cause dilution by blurring, noting that the marks' component words are virtually identical, and that the inclusion of "Little" in the Moseleys' mark, in smaller font above the original "Victor's Secret" logo, did little to lessen their similarity.[1] Next, the district court found that the Moseleys' mark had a tarnishing effect upon the Victoria's Secret mark, in that "included in the inventory sold by the Moseleys, in addition to lingerie, are adult videos as well as sex toys and other 'adult novelties.' " The court concluded that "while the Defendants' inventory may not be unsavory to all, its more risque quality widely differentiates it from that of the Plaintiffs." Finding this evidence sufficient to support a dilution claim, the district court granted summary judgment to Victoria's Secret and enjoined the Moseleys from using the Victor's Little Secret mark. Since the issuance of the district court's order, the Moseleys have successfully operated their business as "Cathy's Little Secret," apparently without objection from Victoria's Secret. The Moseleys nevertheless bring this appeal from the grant of summary judgment in the district court.

---

[1] In their appeal to this court, the Moseleys argue that the district court conducted its dilution analysis on the wrong mark, namely "Victor's Secret" instead of "Victor's Little Secret." This argument is patently without merit, as the district court plainly took into account the Moseleys' attempt to change their mark after receiving a cease and desist letter from Victoria's Secret and found it not to alter significantly the dilution of Victoria's Secret's mark.

DISCUSSION

Prior to the passage of the Federal Trademark Dilution Act in 1995, actions for trademark dilution were limited to those brought in the 25 states that had enacted dilution statutes, and the standards for finding dilution varied widely between jurisdictions. *See* 104-374 (1995), 1996 U.S.C.C.A.N. 1029, 1032. The FTDA was crafted "because famous marks ordinarily are used on a nationwide basis and dilution protection is currently available on a patch-quilt system of protection . . . Further, court decisions have been inconsistent and some courts are reluctant to grant nationwide injunctions for violation of state law where half of the states have no dilution law." *Id.* The FTDA provides that:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to:
>
> (A) the degree of inherent or acquired distinctiveness of the mark;
>
> (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
>
> (C) the duration and extent of advertising and publicity of the mark;

> (D) the geographical extent of the trading area in which the mark is used;
>
> (E) the channels of trade for the goods or services with which the mark is used;
>
> (F) the degree of recognition of the mark in the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought;
>
> (G) the nature and extent of use of the same or similar marks by third parties; and
>
> (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(1).

The Act further defines "dilution" as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood or confusion, mistake, or deception." 15 U.S.C. § 1127. Courts have not made a uniform application of the FTDA, however, individual circuits having applied a different set of standards to arising claims, many of which seem to blur the distinction between proving likelihood of confusion in a traditional infringement claim and proving trademark dilution. *See* 4 McCarthy on Trademarks and Unfair Competition § 24:94 (2000).

A. Analysis of the FTDA's preliminary factors.

In our most recent FTDA decision, *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562 (6th Cir. 2000), decided some

two months after entry of the district court's opinion in this case, we adopted the Second Circuit's standards for determining dilution set out in *Nabisco*, 191 F.3d at 215. The *Nabisco* test requires that to establish a dilution claim, "(1) the senior mark must be famous; (2) it must be distinctive; (3) the junior use must be a commercial use in commerce; (4) it must begin after the senior mark has become famous; and (5) it must cause dilution of the distinctive quality of the senior mark." *Kellogg*, 209 F.3d at 577 (quoting *Nabisco*, 191 F.3d at 215). Without the benefit of our opinion, the district court instead applied a four-factor test for dilution established by the Ninth Circuit in *Panavision*, 141 F.3d at 1324. The *Panavision* test requires a plaintiff to prove that "1) the mark is famous; (2) the defendant is making a commercial use of the mark in commerce; (3) the defendant's use began after the mark became famous; and (4) the defendant's use of the mark dilutes the quality of the mark by diminishing the capacity of the mark to identify and distinguish goods and services." *Id.* The two tests are substantially similar, with the only material difference being that the *Kellogg/Nabisco* test requires a plaintiff to prove that its mark is not only famous, but also distinctive.

Although in *Kellogg* we did not conduct a full dilution analysis, the Second Circuit provided an extended discussion of distinctiveness in the *Nabisco* decision, as follows:

> Distinctiveness in a mark is a characteristic quite different from fame. Distinctiveness is a crucial trademark concept, which places marks on a ladder reflecting their inherent strength or weakness. The degree of distinctiveness of a

mark governs in part the breadth of the protection it can command. At the low end are generic words – words that name the species or object to which the mark applies. These are totally without distinctiveness and are ineligible for protection as marks because to give them protection would be to deprive competitors of the right to refer to their products by name. . . . Thus, no one can claim the exclusive right to use the mark "CAR" for a car. One rung up the ladder are "descriptive" marks – those that *describe* the product or its attributes or claims. These also have little distinctiveness and accordingly are ineligible for protection unless they have acquired "secondary meaning" – that is, unless the consuming public has come to associate the mark with the products or services of its user. . . . The next higher rung belongs to "suggestive" marks; these fall in an in-between category. . . . They do not name or describe the product for which they are used, but they suggest the qualities or claims of that product. They are more distinctive than descriptive marks, and thus are accorded trademark rights without need to demonstrate that consumers have come to associate them with the user of the mark. . . . Nonetheless, because they seek to suggest qualities of the product, they possess a low level of distinctiveness. The [sic] are given less protection than is reserved for more distinctive marks – those that are "arbitrary" or "fanciful." . . . A mark is arbitrary or fanciful if there is no logical relationship whatsoever between the mark and the product on which it is used. However, even within the category of arbitrary or fanciful

> marks, there is still a substantial range of distinctiveness. Some marks may qualify as arbitrary because they have no logical relationship to the product, but nonetheless have a low level of distinctiveness because they are common. The most distinctive are marks that are entirely the product of the imagination and evoke no association with human experience that relate intrinsically to the product. . . . The strongest protection of the trademark laws is reserved for these most highly distinctive marks.

Nabisco, 191 F.3d at 215-16 (citations omitted).

The Second Circuit went on to note that it took the requirement that a mark be distinctive from the text of the FTDA, which requires that the junior mark's use must cause "dilution of the distinctive quality of the [plaintiff's] mark" and lists as a factor to be considered "whether the mark is distinctive and famous." *Id.* at 216. Finally, the Second Circuit concluded that:

> The requirement of distinctiveness is furthermore an important limitation. A mark that, notwithstanding its fame, has no distinctiveness is lacking the very attribute that the antidilution statute seeks to protect. The antidilution statute seeks to guarantee exclusivity not only in cases where confusion would occur but throughout the realms of commerce. Many famous marks are of the common or quality-claiming or prominence-claiming type – such as American, National, Federal, Federated, First, United, Acme, Merit or Ace. It seems most unlikely that the statute contemplates allowing the holders of such common, albeit famous, marks to exclude all new entrants. That is why the statute grants

that privilege only to holders of distinctive marks.

Id.

Because it applied the *Panavision* test instead of the test derived from *Nabisco*, the district court did not explicitly consider the distinctiveness of the Victoria's Secret mark as a factor of the plaintiffs' prima facie case, and the Moseleys now contend (albeit in a different context) that the mark is not distinctive.[2] They argue that because there are "hundreds" of lingerie concerns that use the word "secret" as part of their mark, it cannot be considered an arbitrary or fanciful term deserving a high level of protection. In this argument, however, the defendants err by failing to consider the Victoria's Secret mark as a whole. For in the context of considering two marks' similarity, we have "endorsed the 'anti-dissection rule,' which serves to remind courts not to focus only on the prominent features of the mark, or only on those features that are prominent for purposes of the litigation, but on the mark in its totality." *Jet, Inc. v. Sewage Aeration Systems*, 165 F.3d 419, 423 (6th Cir. 1999). Obviously, the anti-dissection rule is equally applicable in considering a mark's distinctiveness.

---

[2] As noted by the Second Circuit in *Nabisco*, analysis of a mark's distinctiveness serves two functions. First, it is a statutory element. Second, "the *degree* of distinctiveness of the senior mark has a considerable bearing on the question whether a junior use will have a diluting effect." *Nabisco*, 191 F.3d at 217. It is in the context of this second use that the Moseleys make their distinctiveness arguments in their brief to this court.

In this case, for example, although the word "secret" may provoke some intrinsic association with prurient interests, it is not automatically linked in the ordinary human experience with lingerie. "Secret" is not particularly descriptive of bras and hosiery. Nor is there anything about the combination of the possessive "Victoria's" and "secret" that automatically conjures thoughts of women's underwear – except, of course, in the context of plaintiff's line of products. Hence, we conclude that the "Victoria's Secret" mark ranks with those that are "arbitrary and fanciful" and is therefore deserving of a high level of trademark protection. Although the district court applied a slightly different test from the one now established in this circuit, the court would undoubtedly have reached the same result under the *Nabisco* test. Certainly, we cannot say that the court erred in finding that the preliminary factors of a dilution claim had been met by Victoria's Secret.

B. Analysis of dilution.

In this case, the Moseleys do not challenge the fact that the Victoria's Secret mark is famous, nor do they dispute that they are using their "Victor's Little Secret" mark in commerce and began doing so after the Victoria's Secret mark became famous. The only element at issue, therefore, is whether their mark dilutes that of Victoria's Secret. As noted above, the FTDA defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood or confusion, mistake, or deception." 15 U.S.C. § 1127. In applying

these terms, the circuits have not adopted a uniform approach, instead applying a somewhat amorphous set of factors to each particular case. *See, e.g., Nabisco*, 191 F.3d at 217 (advocating the adoption of a "cautious and gradual approach" to developing factors to determine dilution). The Sixth Circuit has not yet conducted a full analysis of a dilution claim under the FTDA and, thus, has not articulated the standards it will apply in determining whether a junior mark causes dilution. That task now falls to us.

The district court, in analyzing Victoria's Secret's claim, found that:

> Dilution corrodes a trademark by "blurring its product identification or by damaging positive associations that have attached to it." [*Panavision*, 141 F.3d at 1324.] Dilution through tarnishing that may create a negative association with the goods or services covered by the senior mark." *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev.*, 955 F. Supp. 605, 614 (E.D.Va. 1997). In order to dilute a more senior mark, the junior mark must be sufficiently similar. We find that Defendants' mark is sufficiently similar to Plaintiffs' mark in order to cause dilution.[3]

---

[3] The Moseleys argue that the district court erred in finding the marks "sufficiently similar." The Moseleys assert that the marks must be found to be "substantially similar." However, as held in *Nabisco*, the requirement is that "the marks must be of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior." Measured by this standard, there can be little doubt that "Victor's Little Secret" does, in fact, conjure an association with the "Victoria's Secret" mark.

The district court went on to find that "Defendants' mark dilutes Plaintiffs' mark because of its tarnishing effect upon the Victoria's Secret mark. . . . While the Defendants' inventory may not be unsavory to all, its more risque quality widely differentiates it from that of the Plaintiffs."

In reviewing the district court's truncated dilution analysis, we must now decide which factors are relevant to the determination of a dilution claim under the FTDA. Although the tests adopted by other circuits vary in the level of detail they apply to the claims, the qualities these tests consider are essentially the same. However, a split has developed among the circuits with respect to one crucial element: whether a plaintiff must prove actual, present injury to its mark to state a federal dilution claim. The leading cases are *Ringling Brothers*, 170 F.3d at 458, in which the Fourth Circuit held that a plaintiff must provide evidence of actual, present injury to the famous mark, and *Nabisco*, in which the Second Circuit explicitly rejected the Fourth Circuit's more stringent approach. Thus, in reviewing the present case, we must determine, first, which factors will be taken into account in determining if dilution of a mark has occurred, and second, whether to require a plaintiff to present evidence of actual harm to its famous mark, aligning ourselves with either the *Ringling Brothers* or the *Nabisco* line of cases.[4]

---

[4] In *Kellogg*, we did not have the occasion to engage in a full analysis of the dilution claim presented in that case, citing *Nabisco* for its determination of the elements of a dilution claim, but also citing *Ringling Brothers*, presumably as a comparable source of the elements for a dilution claim. As *Nabisco* and *Ringling Brothers* are in direct conflict on the issue of proof of actual harm, we must now resolve the apparent contradiction.

1. *The Actual Harm Requirement: Ringling Bros.-Barnum & Bailey v. Utah Division of Travel Development.*

In *Ringling Brothers*, the circus moguls contended that the State of Utah's use of the slogan "the greatest snow on earth" diluted their famous mark, "the greatest show on earth." *See Ringling Bros.*, 170 F.3d at 451. Analyzing Ringling Brothers' claims under the FTDA, the Fourth Circuit found that " 'dilution' under the federal Act consists of (1) a sufficient similarity of marks to evoke in consumers a mental association of the two that (2) causes (3) actual harm to the senior marks' economic value as a product-identifying and advertising agent." *Id.* at 453.

The Fourth Circuit in *Ringling Brothers* conceded that an actual harm requirement "does not leap fully and immediately from the statutory text," but nevertheless found it to lie in the statute's legislative history. *Id.* The court traced the origin of modern dilution law to Frank Schechter's seminal article, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927), in which Schechter argued that the true harm of diluting junior marks was not consumer confusion but "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods." *Id.* at 825. The court termed this theory "radical" and "extreme," and stated that "there was no legislative adoption of the concept in any form until 1947 when Massachusetts enacted the first state 'antidilution' statute." *Ringling Bros.*, 170 F.3d at 454. However, as the court notes, 25 states followed the lead of Massachusetts in the years preceding adoption of the FTDA, and adopted

modified versions of Schechter's proposal as state anti-dilution law. *See id.* The court found that:

> Though they of course varied in detail, the state statutes typically had four features of relevance for our interpretive purposes: (1) they defined the category of marks protected against dilution solely by reference to their "distinctive quality"; (2) they proscribed not just actual, consummated dilution, but the "likelihood of dilution"; (3) by containing no express reference to harm to the senior mark's economic value, they defined dilution in terms susceptible to the interpretation that it consisted solely of a loss of the mark's distinctiveness; and (4) they provided only injunctive relief.

Id.

The court then looked to the Restatement (Third) of Unfair Competition for a summary of how these various statutes were applied by the state courts. The court noted the "sheer difficulty that courts have had in getting a firm handle on the basic concept of 'dilution' as cryptically expressed in the typical state statute by an unelaborated reference to 'dilution of the distinctive quality of a mark.' " *Id.* at 455. Attempting to synthesize the state court decisions, the Fourth Circuit found:

> [Al]though the typical state statute formulation is susceptible to an in-gross-property-right interpretation-by reading "distinctive quality" as essentially synonymous with "uniqueness" in the Schechter model[,] no court seems to have taken that blunt approach. Instead, frequently alluding to Schechter's identification of the

> senior mark's "selling power," and the "whittling away" of that power as the ultimate concerns of dilution's special protective function, the courts seem generally to have assumed that loss of that power, and the economic value it represents, was the end harm at which the anti-dilution statutes were aimed.

Id. at 456.

The Fourth Circuit recognized that the true interpretive problem with the state court decisions had been how that loss of power and economic value could be proved. *See id.* at 457. The court found three general approaches. First, "during the period of general judicial hostility to the whole statutory dilution concept . . . some courts, seeming to assume that the requisite harm could only be shown by evidence of some form of product-diverting consumer confusion (presumably other than source confusion), invariably found such proof lacking." *Id.* A second approach, delineated by Judge Sweet in his concurring opinion in *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026 (2nd Cir. 1989), "assumed both that likelihood of harm to selling power must be proved, and that such harm could occur despite the absence of any consumer confusion . . . Though not expressed in those exact procedural terms, the suggestion was effectively that proof must and could be sought through the normal judicial process of fact-finding by inference from a set of contextual factors (degree of mark and product similarity, etc.) that he proposed as relevant

for the purpose."[5] *Ringling Bros.*, 170 F.3d at 457. Finally, the court found that "some courts have taken the position, in part at least for the very reason that they consider likelihood of harm to a mark's selling power to be incapable of direct or inferential proof, that it may simply be presumed from the identity or sufficient similarity of the marks." *Id.*

The Fourth Circuit then cast the FTDA against this history of state statute interpretation, finding two aspects of its construction to be particularly relevant. "Most critically, the federal Act proscribes and provides remedy only for actual, consummated dilution and not for the mere 'likelihood of dilution' proscribed by the state statutes. And, by specifically defining dilution as 'the lessening of the capacity of a famous mark to identify and distinguish goods or services,' the federal Act makes plain what the state statutes arguably may not: that the end harm at which it is aimed is a mark's selling power, not its 'distinctiveness' as such." *Id.* at 458. The court found its "concededly . . . stringent" definition of dilution, requiring "an actual lessening of the senior mark's selling power, expressed as 'its capacity to identify and distinguish goods or services' " to follow from these points. *Id.* To hold otherwise, the court asserted, would

---

[5] The *Mead Data Central* case, while frequently cited in dilution commentary for the factors established by Judge Sweet, was a Second Circuit case applying New York State's dilution law. Accordingly, it is of only marginal comparative relevance to FTDA analysis, and has been largely discredited by the courts in interpreting the federal Act.

be to find a "property right in gross" in a mark's distinctiveness, and to rely upon judicial presumption where actual proof should be required. *Id.* at 459-60.

The *Ringling Brothers* court then faced the question of how a plaintiff might prove a "lessening of the capacity of a famous mark to identify and distinguish goods or services." The court conceded that "the difficulties of proving actual dilution by practically available means is [sic] evident," but found "that proof of actual dilution cannot be considered impossible and therefore not possibly what Congress could have intended. Proof will be difficult, because actual, consummated dilutive harm and its cause are difficult concepts. But the concept is a substantively viable one, and the means of proof are available." *Id.* at 464. The court then established three forms of proof it would find acceptable:

> Most obviously, but most rarely, there might be proof of an actual loss of revenues, and proof of replicating use as cause by disproving other possible causes. Most obviously relevant, and readily available, is the skillfully constructed consumer survey designed not just to demonstrate "mental association" of the marks in isolation, but further consumer impressions from which actual harm and cause might rationally be inferred . . . Finally, relevant contextual factors such as the extent of the junior mark's exposure, the similarity of the marks, the firmness of the senior mark's hold, are of obvious relevance as indirect evidence that might complement other proof.

Id. at 465. Finding that Ringling Brothers had not produced evidence to meet any of these standards, the court held that it had not sufficiently proved dilution.

The Fourth Circuit's actual harm standard was subsequently adopted by the Fifth Circuit in *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000). In that case, the Fifth Circuit held:

> As an issue of first impression in this Circuit, we endorse the Fourth Circuit's holding that the FTDA requires proof of actual harm since this standard best accords with the plain meaning of the statute. There is a key difference between the state antidilution statutes that formed the backdrop for passage of the FTDA and the FTDA itself. Whereas state antidilution statutes incorporate, often expressly, the "likelihood of dilution" standard, the federal statute does not. . . . Instead, it prohibits any commercial use of a famous mark that "causes dilution." 15 U.S.C. § 1125(c)(1). Both the present tense of the verb and the lack of any modification of "dilution" support an actual harm standard.

Id. at 670.

2. *Inference of Likely Harm: Nabisco, Inc. v. PF Brands, Inc.*

The Second Circuit explicitly rejected the Fourth Circuit's actual harm test in *Nabisco, Inc. v. PF Brands, Inc.*, finding that a different interpretation of the FTDA's language must prevail. In so doing, the Second Circuit found two possible readings of the *Ringling Brothers* opinion. "The narrower position would be that courts may not

infer dilution from 'contextual factors (degree of mark and product similarity, etc.),' but must instead rely on evidence of 'actual loss of revenues' or the 'skillfully constructed consumer survey." *Nabisco*, 191 F.3d at 223. "The broader reading of the Fourth Circuit's 'actual, consummated' dilution element would require not only that dilution be proved by a showing of lost revenues or surveys but also that the junior be already established in the marketplace before the senior could seek an injunction." *Id.* at 224. This view finds footing in the fact that the statute provides a remedy for a junior mark that "causes dilution," as opposed to state statutes which had prevented "likelihood of dilution." *See id.*

The court ultimately rejected both readings of the Fourth Circuit's opinion. It found the narrow reading to be "an arbitrary and unwarranted limitation on the methods of proof" and reasoned:

> If the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior. Even if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark. And as to consumer surveys, they are expensive; time-consuming and not immune to manipulation.

Id. at 224. The court further observed that "plaintiffs ordinarily agree to make their case through circumstantial evidence that will justify an ultimate inference of

injury. Contextual factors have long been used to establish infringement. . . . We see no reason why they should not be used to prove dilution." *Id.*

The Second Circuit in *Nabisco* found that the broader reading of the Fourth Circuit's opinion, requiring both actual proof and that the junior mark be established in the marketplace, "depends on excessive literalism to defeat the intent of the statute." The court held that "to read the statute as suggested by the *Ringling* opinion would subject the senior user to uncompensable injury. The statute could not be invoked until injury had occurred. And, because the statute provides only for an injunction and no damages (absent willfulness), such injury would never be compensated." *Id.* The court also remarked that such a reading would be disastrous for a junior mark's owner who wanted to test the propriety of a new mark before launching it in the marketplace. Under this reading of the FTDA, the junior mark's owner would not be able to know that her mark was improper until she had already spent the resources involved in establishing a trademark in consumers' minds. *See id.* The *Nabisco* court concluded, "We are not at all sure that the *Ringling* opinion intends to limit the application of the statute to dilution that has already occurred, as opposed to the narrower reading discussed above. . . . In any event, we read the statute to permit adjudication granting or denying an injunction . . . before the dilution has actually occurred." *Id.* at 224-25.

Despite the Fourth Circuit's somewhat persuasive arguments, we conclude that the *Nabisco* test both tracks the language of the statute and follows more closely

Congress's intent in enacting the FTDA. Legislative history surrounding the statute's enactment demonstrates that the legislators were attempting to ensure that plaintiffs could find a nationwide remedy for dilution claims, as distinct from the Lanham Act's established protection for trademark infringement. As the Congressional Record indicates, dilution is "an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. No. 104-374 (1995), *reprinted in* 1996 U.S.C.C.A.N. 1029, 1032.

This passage is important in two respects. First, it evinces an intent to provide a broad remedy for the lesser trademark violation of dilution and recognizes that the essence of the dilution claim is a property right in the "potency" of a mark. While this does not reach the "property right in gross" proportions of Schechter's early dilution analysis, it does demonstrate an understanding that the right to be protected is in a mark's distinctiveness. Second, the passage's latter half – "confusion leads to immediate injury, while dilution is an infection, *which if allowed to spread*, will inevitably destroy the advertising value of the mark" – evinces an intent to allow a remedy *before* dilution has actually caused economic harm to the senior mark. In such a case, proving actual harm would be extremely difficult, as no such harm would have taken place when the remedy became available, and proof would be limited to the sorts of consumer surveys that the Fourth Circuit itself admits are unwieldy at best. We

think that both these factors weigh in favor of adopting the Second Circuit's test. Most importantly, as the Fourth Circuit again concedes, requiring proof of actual economic harm will make bringing a successful claim under the FTDA unreasonably difficult. With such a broad remedy considered in the Act's legislative history, we find it highly unlikely that Congress would have intended to create such a statute but then make its proof effectively unavailable.

Having determined to follow the *Nabisco* decision, and thus to allow inference of likely harm to the senior mark instead of requiring actual proof, we must now look to the other elements of the *Nabisco* test's definition of dilution. As discussed above, under *Nabisco* a plaintiff must prove that the senior mark is "famous" and "distinctive," that the junior mark is in commercial use, beginning after the senior mark has become famous, and that the junior mark "causes dilution of the distinctive quality of the senior mark." *Nabisco*, 191 F.3d at 215. The Second Circuit has developed a list of ten factors used to determine if dilution has, in fact, occurred, while describing them as a "nonexclusive list" to "develop gradually over time" and with the particular facts of each case. *Id.* at 217. Those factors are: distinctiveness; similarity of the marks; "proximity of the products and the likelihood of bridging the gap;" "interrelationship among the distinctiveness of the senior mark, the similarity of the junior mark, and the proximity of the products;" "shared consumers and geographic limitations;" "sophistication of consumers;" actual confusion; "adjectival or referential quality of the junior use;" "harm to the junior user and delay by the senior user;" and the "effect of [the] senior's

prior laxity in protecting the mark." *Id.* at 217-22. These factors are given extensive analysis in the *Nabisco* opinion, which we need not replicate here. We find that these factors effectively span the breadth of considerations a court must weigh in assessing a claim under the FTDA, from the inherent qualities of the marks themselves, to the behavior of the corporate entities in introducing a mark into commerce, to the highly practical and subjective considerations of the effect of the marks on the actual consumers who will consider them, and find them persuasive to our analysis.

3. *Application of the Nabisco test to Victoria's Secret's claim.*

As discussed above, the Victoria's Secret mark is quite distinctive, bearing little logical relation to the goods it is used to market, women's lingerie. Thus, it is deserving of a high degree of trademark protection. More importantly, the two marks in question are highly similar. There can be no contesting the fact that "Victoria's Secret" and "Victor's Little Secret" are semantically almost identical (the Moseleys' claim that the marks are "two-thirds different" is particularly unpersuasive). Further, the font used by the Moseleys' mark, the small sizing of the word "little," and its placement above "Victor's Secret" make the marks graphically similar as well.

Although the Moseleys asserted that they were not aware of Victoria's Secret when they named their store, their intent is relevant only to the issue of damages, which are not at issue here. Rather, we must ask whether a consumer would link a store called "Victor's Little

Secret" that sold women's lingerie with the more famous Victoria's Secret. We have little doubt that the average lingerie consumer would make just such an association. Assuming that the district court was correct in finding that the sophistication of lingerie consumers and the differences in the quality of the products marketed by the two stores would prevent actual confusion, this is a case that highlights the distinction between an infringement and a dilution claim. While no consumer is likely to go to the Moseleys' store expecting to find Victoria's Secret's famed Miracle Bra, consumers who hear the name "Victor's Little Secret" are likely automatically to think of the more famous store and link it to the Moseleys' adult-toy, gag gift, and lingerie shop. This, then, is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment). Given this conclusion, it follows that Victoria's Secret would prevail in a dilution analysis, even without an exhaustive consideration of all ten of the *Nabisco* factors. As did the Second Circuit, we leave their further explication for later development "gradually over time," on a case-by-case basis.

CONCLUSION

For the reasons set out above, we AFFIRM the judgment of the district court and thus uphold the grant of summary judgment to the plaintiffs in this case, based upon their claim under the Federal Trademark Dilution Act.

UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF KENTUCKY, LOUISVILLE DIVISION

V SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC., VICTORIA'S SECRET CATALOGUE, INC.,

PLAINTIFFS

v. CIVIL ACTION NO. 3:98CV-395-S

VICTOR MOSELEY AND CATHY MOSELEY d/b/a VICTOR'S LITTLE SECRET,

DEFENDANTS

2000 U.S. Dist. LEXIS 5215; 54 U.S.P.Q.2D (BNA) 1092

February 9, 2000, Decided

February 9, 2000, Entered

COUNSEL:

For V SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC., VICTORIA'S SECRET CATALOGUE, INC., plaintiffs: Frank J. Colucci, Courtney Wilson Monahon, W. Brant Mossop, G. Mathew Lombard, Colucci & Umans, New York, NY. Reford H. Coleman, Coleman, Easton, Lochmiller & Hall, Elizabethtown, KY.

For VICTOR MOSELEY, CATHY MOSELEY, defendants: James W. Taylor, Amanda Pope Thompson, Don A. Pisacano, Stites & Harbison, Lexington, KY. John E. Spainhour, Givhan & Spainhour, Shepherdsville, KY.

MEMORANDUM OPINION

This matter is before the Court on the Motions for Summary Judgment filed by the Defendants, Victor and Cathy Moseley ("the Moseleys"), and the Plaintiffs, V Secret Catalogue, Inc., Victoria's Secret Stores, Inc., and Victoria's Secret Catalogue, Inc. (collectively, "Victoria's Secret"). Victoria's Secret has brought suit pursuant to the Lanham Act, 15 U.S.C. § 1051 *et seq.*, the Federal Dilution Trademark Act, 15 U.S.C. § 1125(c), and Kentucky common law, alleging that the Moseleys are committing trademark infringement and unfair competition.

Defendants have also filed Motions to Strike Plaintiffs' Response to their Motion for Summary Judgment and Plaintiffs' Motion for Summary Judgment on the basis that Plaintiffs included in those pleadings affidavits from persons not previously identified as witnesses. We find that striking pleadings on such a basis to be inappropriate. As this Court has not relied upon any of the disputed affidavits in its ruling upon the Motions for Summary Judgment, the Motions to Strike will be denied by separate order.

FACTS

Plaintiff V Secret Catalogue, Inc. is the record owner of the "Victoria's Secret" mark, which has been registered in the United States Patent and Trademark Office since January 20, 1981. V Secret Catalogue licenses Plaintiff Victoria's Secret Catalogue, LLC and Plaintiff Victoria's Secret Stores, Inc. to use the "Victoria's Secret" mark. Victoria's Secret sells a complete line of women's lingerie, as well as other clothing and accessories.

Victoria's Secret Stores operates over 750 stores, and Victoria's Secret Catalogue distributes 400 million copies of the Victoria's Secret catalog each year, including 39,000 in Elizabethtown, Kentucky, where Defendants' store is located. Victoria's Secret's products are also sold over the Internet. Victoria's Secret has two stores in Louisville, Kentucky, within 60 miles of Defendants' store. One store has been open since November 16, 1982; the other since April 24, 1985. In 1998, Victoria's Secret spent over fifty-five million dollars on advertising its products. According to a recent survey, Victoria's Secret is rated as the ninth most famous brand in the apparel industry.

In February, 1998, Defendants Victor and Cathy Moseley opened "Victor's Secret," a store in a strip mall in Elizabethtown, Kentucky, selling a wide variety of items, including men's and women's lingerie, adult videos, sex toys and "adult" novelties. The Moseleys assert that they were not aware of Victoria's Secret's catalog or stores until they received a cease and desist letter from counsel for Victoria's Secret on February 25, 1998. The Moseleys subsequently changed the name of their store to "Victor's Little Secret."

DISCUSSION

Summary judgment is appropriate if "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." FED. R. CIV. P. 56(c). A party's failure to establish an element of proof essential to his case and upon which he

will bear the burden of proof at trial constitutes a failure to establish a genuine issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322, 91 L. Ed. 2d 265, 106 S. Ct. 2548 (1986). *See also Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 91 L. Ed. 2d 202, 106 S. Ct. 2505 (1986).

Federal Infringement Claims

The Moseleys ask for summary judgment in their favor on Victoria Secret's federal infringement claims on the basis that Victoria's Secret has presented no evidence of a likelihood of confusion due to the Moseleys' use of "Victor's Little Secret." The Court of Appeals for the Sixth Circuit has directed that in evaluating the likelihood of confusion, a number of factors should be examined. These factors include:

1. strength of the plaintiff's mark
2. relatedness of the goods or services
3. similarity of the marks
4. evidence of actual confusion
5. marketing channels used
6. likely degree of purchaser care and sophistication
7. intent of the defendant in selecting the mark
8. likelihood of expansion of the product lines using the mark.

Frisch's Restaurants, Inc. v. Elby's Big Boy of Steubenville, Inc., 670 F.2d 642, 648 (6th Cir. 1982). The Sixth Circuit considers the question of whether a likelihood of confusion exists to be a mixed question of law and fact.

Homeowners Group, Inc. v. Home Mktg. Specialists, Inc., 931 F.2d 1100, 1107 (6th Cir. 1991). Examination of the factors listed above are questions of fact, but the determination of whether those facts establish a likelihood of confusion is a legal conclusion. *Id.*

In examining these factors, the Court concludes that the Moseleys are entitled to summary judgment upon the basis that, as a matter of law, no likelihood of confusion exists. Although not all of the above factors weigh against Victoria's Secret, taken together, they do not establish a likelihood of confusion.

A. Strength of Plaintiff's Mark

The strength of a mark is determined by its distinctiveness. *Frisch's Restaurant, Inc. v. Shoney's, Inc.*, 759 F.2d 1261, 1264 (6th Cir. 1985). "A mark is strong if it is highly distinctive, i.e., if the public readily accepts it as the hallmark of a particular source; it can become so because it is unique, because it has been the subject of wide and intensive advertisement; or because of a combination of both." *Id.* (quoting Callman, *Unfair Competition, Trademarks, & Monopolies*, P 20.43 (4th ed. 1983)).

The Moseleys concede that Victoria's Secret's mark is "strong" but contend it is not "invincible." In support of this contention, they have submitted a list of 257 marks which include the word "secret" and have further cited fourteen marks as being very similar to Victoria's Secret marks. Defendants' Motion at 9. Victoria's Secret counters that most of those fourteen marks have been canceled or abandoned. In addition, Victoria's Secret has submitted evidence that their mark is the country's ninth-most

recognizable mark in the apparel industry. Furthermore, Victoria's Secret registered its mark with the Patent and Trademark Office on January 20, 1981. "Once a mark has been registered for five years, the mark must be considered strong and worthy of full protection." *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1187 (6th Cir. 1988).

B. Relatedness of the Goods or Services

Three basic categories of relatedness exist: "(1) direct competition of services, in which case confusion is likely if the marks are sufficiently similar; (2) services are somewhat related but not competitive, so that likelihood of confusion may or may not result depending on other factors; and (3) services are totally unrelated, in which case confusion is unlikely." *Homeowners Group*, 931 F.2d at 1108.

The Moseleys assert that the merchandise they sell in their store is very different than Victoria's Secret's merchandise, with the only common item being women's lingerie, which they submit accounts for only five percent of their total sales. In response, Victoria's Secret has submitted photos of the Moseleys' store which demonstrate that women's lingerie takes up much of their retail space. Thus, the products sold by Plaintiffs and Defendants are not completely unrelated. Whether the products are directly competitive or only somewhat related is unclear, but for purposes of our ruling, we will assume the products are in direct competition.

C. Similarity of the Marks, Degree of Purchaser Care, and Actual Confusion

On a side-by-side comparison, the two marks in question bear a large degree of similarity. Such a comparison, however, is not the appropriate test. Rather, "the marks must be viewed in their entirety and in context" *Homeowners Group*, 931 F.2d at 1109. Viewed in the context of the goods sold under the two marks, and in particular, the stores in which those goods are sold, little similarity exists between the two marks.

Victoria's Secret's stores are generally in upscale malls, with signage that is professionally done. In contrast, Victor's Little Secret is in a strip mall with handwritten signs advertising "Pagers for Sale" in the window. Every piece of clothing sold by Victoria's Secret has a "Victoria's Secret" label on it, while none of the clothing sold by the Defendants has a "Victor's Secret" or "Victor's Little Secret" label on it.

Intertwined in the analysis of the similarity of the marks is the degree of purchaser care. While not exorbitant, lingerie is not an inexpensive purchase, such as the packages of chewing tobacco in question in *P.T.C. Brands, Inc. v. Conwood Co. L.P.*, 887 F. Supp. 963 (W.D. Ky. 1995), or an impulse buy in the manner of the fast food in *Frisch's Restaurants, Inc. v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642 (6th Cir. 1982). Purchasers of Victoria's Secret's products use a far higher degree of care than such impulse buying, and thus, would have little difficulty in determining that Victor's Little Secret is unlikely to be associated with Victoria's Secret.

This conclusion is borne out by the fact that Victoria's Secret has not brought forward any evidence of actual confusion between the two trademarks. "There can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion," *P.T.C. Brands, Inc. v. Conwood Co. L.P.*, 887 F. Supp. 963, 969 (W.D. Ky. 1995) (quoting *World Carpets, Inc. v. Dick Littrell's New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971)). Although not dispositive, the fact that Victoria's Secret has not produced any evidence of actual confusion weighs heavily in Defendants' favor.

D. Marketing Channels Used

Victoria's Secret and Victor's Little Secret use the same marketing channels. Both parties sell to the retail market, using both print and radio advertising. Defendants assert that they are somehow different because Victoria's Secret advertises on a world-wide scale, while Victor's Little Secret is advertised only locally in the Elizabethtown area. The scale of the advertising is irrelevant. In fact, the small scale of the advertising for Victor's Little Secret could actually weigh against the Defendants, as it may be evidence that the Defendants are taking advantage of a potential similarity between the trademarks to promote their products.

E. Defendants' Intent in Selecting the Mark

The Moseleys assert that their selection of "Victor's Secret" for the name of their store was a complete coincidence. They claim that they had never seen a Victoria's Secret catalogue or a Victoria's Secret advertisement prior

to opening their store. Their explanation for the selection of the name "Victor's Secret" is that Victor Moseley wanted to keep the opening of his store quiet while working for a previous employer – thus, it was "Victor's Secret."

The noteable similarity between the two marks alone is enough to call into question Defendants' explanation, but Victoria's Secret also submits further evidence to rebut the Moseleys' claims. Mr. Moseley testified in his deposition that he was unemployed prior to opening his store. This not only tends to refute his explanation for the name "Victor's Secret," but seriously damages his credibility. "If a party chooses a mark with the intent of causing confusion, that fact alone may be sufficient to justify an inference of confusing similarity." *Homeowners Group*, 931 F.2d at 1111. For purposes of ruling upon this motion, we will assume Defendants selected their mark with the intention of causing confusion.

F. Likelihood of Expansion of Product Lines

The Moseleys asserts [sic] that they have no intention of expanding their business outside the Elizabethtown area, and Victoria's Secret has not presented any evidence to the contrary.

Conclusion

Although minor factual disputes remain extant, they are not material to the Court's determination of whether there is a likelihood of confusion. After examining the similarity of the marks, the degree of purchaser care, and

lack of any evidence of actual confusion, the Court concludes that no likelihood of confusion exists as a matter of law. The Court finds that the fact that Victoria's Secret has not presented any evidence of actual confusion between the trademarks to be a particularly strong indicator that confusion between the marks is unlikely. Therefore, the Defendants' Motion for Summary Judgment will be granted as to Plaintiffs' federal infringement claims.

Federal Unfair Competition Claims and State Law Claim

As in infringement claims, the essence of an unfair competition claim is likelihood of confusion. *Champions Golf Club, Inc. v. The Champions Golf Club, Inc.*, 78 F.3d 1111, 1123 (6th Cir. 1996) (citing *Wynn Oil Co. v. American Way Svc, Corp.*, 943 F.2d 595, 604 (6th Cir. 1991)). Because we have found that no likelihood of confusion exists as a matter of law, we will grant summary judgment on Count II as well. In addition, the state law claims for infringement and unfair competition mirror the federal claims, and summary judgment will be granted as to Count IV.

Federal Dilution Act Claim

Plaintiffs and Defendants have both moved for summary judgment on Plaintiffs' Federal Dilution Act claim. Plaintiffs have asked for injunctive relief under Federal Dilution Trademark Act of 1995, 15 U.S.C. § 1125(c), which entitles the owner of a famous mark to an injunction against another person's commercial use of a mark or trade name, if such use "causes dilution of the distinctive quality of the owner's mark." Dilution can occur even

where the products are not in competition and no likelihood of confusion is possible. 15 U.S.C. § 1127. *See also Ameritech, Inc. v. American Info. Techs. Corp.*, 811 F.2d 960, 965 (6th Cir. 1987).

Although little case law exists on the recently enacted Federal Dilution Trademark Act, a reading of the statute makes clear that a plaintiff must show that: 1) its mark is famous, 2) the defendant is making a commercial use of its mark in commerce, 3) the defendant's use of its mark came after the plaintiff's mark became famous, and 4) the defendant's use of its mark dilutes the quality of plaintiff's mark. *See Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998).

Defendants do not challenge Victoria's Secret's claim that its mark is famous. It has been registered since 1981. We have earlier found the mark to be strong and worthy of protection.

It is also undisputed that the Defendants are making commercial use of their mark in commerce, and that such use began after Plaintiffs' mark became famous. Defendants have named their store "Victor's Little Secret," and ample evidence has been presented in the record that they advertise their store using this mark. Their store did not open until 1998, well after "Victoria's Secret" became a famous mark.

This leaves the Court only to consider whether Defendants' use of their mark dilutes the quality of Plaintiffs' mark. Dilution corrodes a trademark by "blurring its product identification or by damaging positive associations that have attached to it." *Id.* Dilution through tarnishing of that may create a negative association with the

goods or services covered by the senior mark." *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 955 F. Supp. 605, 614 (E.D. Va. 1997). In order to dilute a more senior mark, the junior mark must be sufficiently similar. We find that Defendants' mark is sufficiently similar to Plaintiffs' mark in order to cause dilution.

Significantly, Defendants originally named their store "Victor's Secret." This name is quite similar to Plaintiffs' mark, "Victoria's Secret." The Moseleys subsequently changed the name to "Victor's Little Secret," but an examination of their signage and advertising reveals that this alteration is very minor. The word "Little" is substantially smaller than the words "Victor's" and "Secret," so much so as to make it an afterthought in the advertising. Therefore, we find the two marks to be substantially similar for purposes of Plaintiffs' dilution claim.

We also find that Defendants' mark dilutes Plaintiffs' mark because of its tarnishing effect upon the Victoria's Secret mark. Included in the inventory sold by the Moseleys, in addition to lingerie, are adult videos as well as sex toys and other "adult novelties." "Courts have frequently enjoined the 'tarnishment' of a mark through association with unsavory goods, persons, or services" *Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769, 777 (8th Cir. 1994). While the Defendants' inventory may not be unsavory to all, its more risque quality widely differentiates it from that of the Plaintiffs. We therefore enjoin Defendants from using the mark "Victor's Little Secret" on the basis that it causes dilution of the distinctive quality of the Victoria's Secret mark.

CONCLUSION

Defendants' Motion for Summary Judgment will be granted by separate order as to Counts I, II and IV and denied as to Count III. Plaintiffs' Motion for Summary Judgment on Count III of its Complaint will be granted and Defendants will be enjoined from use of the mark "Victor's Little Secret" by separate order.

This 9th day of Feb, 2000.

/s/ _____
CHARLES R. SIMPSON III, CHIEF JUDGE
UNITED STATES DISTRICT COURT

ENTERED
FEB. 9, 2000

JEFFREY A. APPERSON CLERK

By: /s/ _____
DEPUTY CLERK

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF KENTUCKY
AT LOUISVILLE

V SECRET CATALOGUE, INC.
VICTORIA'S SECRET STORES, INC.
VICTORIA'S SECRET CATALOGUE, INC. PLAINTIFFS

v. CIVIL ACTION NO. 3:98CV-395-S

VICTOR MOSELEY AND CATHY MOSELEY
d/b/a VICTOR'S LITTLE SECRET DEFENDANTS

ORDER

For the reasons set forth in the memorandum opinion entered this date and the court being otherwise sufficiently advised, **IT IS HEREBY ORDERED AND ADJUDGED** that the Motion to Strike Plaintiffs' Response and the Motion to Strike Plaintiffs' Motion for Summary Judgment are **DENIED.**

The Motion for Summary Judgment made by the Defendants is **GRANTED** as to Counts I, II, and IV and **DENIED** as to Count III. Counts I, II and IV are dismissed with prejudice. The Motion for Summary Judgment made by the Plaintiffs as to Count III is **GRANTED.**

The Defendants are hereby enjoined from using the designation "Victor's Secret" or "Victor's Little Secret" or any mark similar thereto, or any reproduction, counterfeit, copy or colorable imitation of Plaintiffs' trademark.

IT IS SO ORDERED this 9th day of Feb, 2000.

/s/ _____
CHARLES R. SIMPSON III, CHIEF JUDGE
UNITED STATES DISTRICT COURT

ENTERED
FEB. 9, 2000
JEFFREY A. APPERSON CLERK
By: /s/ _____
DEPUTY CLERK

00-5320

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

V SECRET CATALOGUE, INC., ET AL.,	)	
Plaintiffs-Appellees,	)	ORDER
v.	)	(Filed Oct. 4, 2001)
VICTOR MOSELEY, ET AL.,	)	
Defendants-Appellants.	)	

BEFORE: JONES, DAUGHTREY, and COLE, Circuit Judges.

The court having received a petition for rehearing en banc, and the petition having been circulated not only to the original panel members but also to all other active judges of this court, and no judge of this court having requested a vote on the suggestion for rehearing en banc, the petition for rehearing has been referred to the original panel.

The panel has further reviewed the petition for rehearing and concludes that the issues raised in the petition were fully considered upon the original submission and decision of the case. Accordingly, the petition is denied.

ENTERED BY ORDER OF THE COURT

/s/ Leonard Green
Leonard Green, Clerk